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From: Embassy Saigon

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To: The Department of State, Washington

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November 21, 1958 //12158

Re: Embassy Despatch 57, August 16, 1958; CRP D-I-4 and D-II-~~5~~-1

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SUBJECT: Visit of Dr. Erhard, West German Economics Minister, to Viet-Nam Air-1

The visit to Saigon on October 21-22 of the Economics Minister of the Federal Republic of Germany, Dr. Ludwig ERHARD, (and his large entourage of officials returning from the IIRD/EIF meeting in New Delhi) took place in the usual framework of ceremony and publicity surrounding the visits of foreign dignitaries; however, available information indicates that the visit produced no tangible results in terms of new plans or projects for German technical assistance to Viet-Nam/new efforts to invest German capital in Viet-Nam or to promote German-Vietnamese bilateral trade.

This does not mean that the Erhard visit necessarily was disappointing in terms of anticipated results. As far as is known, it was not expected by the Vietnamese that Dr. Erhard's stopover in Saigon would produce any immediate arrangements for German aid to Viet-Nam; the RVN undoubtedly was aware that Dr. Erhard could not offer to Viet-Nam, in view of Bundestag limitations, any more than the 1,000,000 DM (about US\$250,000) worth of technical assistance already arranged for several months ago (Embassy Despatch 57, August 16, 1958, and further comments below).\* In addition to the general and usual benefits of prestige and promotion; relations with friendly countries, the Vietnamese may have hoped for some helpful pearls of wisdom from the great maestro of German economic recovery and his large staff and for some long-range intensification of German interest in this area.

Unfortunately, full information on what Dr. Erhard and his experts had to say and, even more, information on Vietnamese reaction thereto is not available. Such German views on economic matters as were expressed during the Erhard visit apparently were made on two principal occasions: (1) at a meeting on October 22 at the Department of National Economy between a large group of German officials led by Dr. Erhard himself and a Vietnamese group headed by Vice President Nguyen Ngoc THO (who is also head of the Department of National Economy), and (2) at a press conference held by Minister Erhard on October 22 before his departure from Saigon.

The meeting at the Department of National Economy apparently produced nothing in the way of specific results. Vietnamese press and official sources have had nothing to say about the meeting. At a recent luncheon with the Minister of the Federal Republic of Germany, Baron VON WENDT, and the Counselor of the Legation of the Federal Republic, Mr. C. E. JACK, Mr. Rose of the Embassy Economic Section

\* As noted in the reference despatch the former German Minister here stated that 1,000,000 DM was the limit of German assistance to Viet-Nam set by Bundestag limitations; the Embassy, however, has noted a recent article in The Economist which states that the German Federal Government has spent for assistance to under-developed areas only a small part of the money available to it.

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From Saigon

"Vietnam Raw material producers and manufacturers should increase production of their rice, tin or rubber. They should boost quality, not quantity; rubber producers, for example, should strive to make their product more competitive against synthetic rubber."

The author will endeavor to ascertain whether Mr. Brabant did, in fact, make remarks along the above lines. No source here has indicated that the D.S. received any such private advice from Minister Brabant but it is not known whether such advice included remarks along the same kind of lines.

Comments: The Saigon visit of Economics Minister Brabant was too short and touched too lightly on substantive issues to have left any strong imprint in Vietnam. A number of Vietnamese have indicated that they were impressed with Mr. Brabant and his group, and undoubtedly Dr. Brabant's record in Germany. Nothing is known, however, of treatment D.S.'s report received other than the fact that he apparently was pleased by the positive aspects of the visit. It is, therefore, difficult to say whether Vietnam's thinking on economic reform was in any way affected by the visit and by the comments made by Mr. Brabant and his group during the visit. In particular, there is no indication as to how well-received was Mr. Brabant's frank warning that underdeveloped countries would not insist upon local majority participation in enterprises involving foreign capital—a recommendation which runs somewhat counter to the approach on rural property of the President and his advisers for local control in new enterprises which include foreign capital.

It is also difficult to say whether D.S. thinking on the question of economic controls was affected in any way by the Brabant visit. However, the link between professor Brundt's success with respect to German economic recovery and his well-known "laissez-faire" economic philosophy hardly could have escaped Vietnamese attention. D.S.-level, however, did, in fact, carry an article on November 11, entitled "Le Retour de l' "Ecole Allemagne" in which was discussed at least the liberal economic philosophy of Mr. Brabant. The article was taken from one of the German newspapers.

While little direct comment was made on the last of my interview by Mr. Brabant in Vietnam, that he would seek more German assistance for Viet-Nam, a number of press reports stated—in reference to the Minister's remarks on German private investment for Vietnamese projects—that "the Minister did not mention the importance of such investments nor the nature of the projects which would attract German capital." However, Mr. Brabant's statements at his press conference upon his return to Saigon that he would seek more funds for German technical assistance have been reported in the press here and may reflect my feeling of resentment that the German Minister was too non-committal during his visit here. That there has actually been so little discussion in the local press regarding the possibility of increased German assistance to Viet-Nam and other non-socialist developing states is of interest. The explanation lies partly in the fact that the Vietnamese press is generally passive and non-analytical. There is possibly a tendency to associate "aid-giving" fairly exclusively as a responsibility of the United States and a consequent inability to conceive of any sense of "obligation" on the part of other countries to engage in foreign assistance programs. There is some indication that many Vietnamese expected

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principally Mr. Shand had no "one magic formula for solving" Vietnam's economic problems and were also informed by the fact that nothing like that was offered.

The Ambassador has stated several times in his letter to me that he found a number of Asian countries by his political contacts during his tour. Such reports might have a tendency to confirm for me, at least, the idea that Vietnam advanced some risks at least unassured the social and economic problems of the underdeveloped countries of the Far East. The Ambassador, however, has so far not made any further reference relating to those countries or statements.

In view of many reports indicating that Mr. Shand was too free with "off-the-cuff" advice during his Asian tour, it would be of interest to note that the German Minister has expressed the view that the main advantage of the tour was the education of Mr. Shand himself in the problems of the underdeveloped areas.

It may be noted that West Germany's ears destined to play an increasingly larger role in the Vietnamese market for foreign goods. That country doubled its exports to Vietnam in 1957 over the previous year and at the same time increased its share of the market from 4.2 percent to 6.2 percent. While the value of German exports to Viet-Nam for the first nine months of 1958 was slightly below the rate prevailing in 1957, there nevertheless is evidence that the low price of German machinery will result in increased foreign sales here—particularly if contemplated efforts to modernize and expand the textile industry and even new industries develop greater momentum. For example, in the search for equipment for the new Viet-Nam Feltile Co. Ltd. 20,000-spindle, 400-loom mill, the main market found that it must exceed the German equivalent and pay half the price of \$1.1 million machinery and even cheaper than Japanese machinery. Accordingly, the decision has been taken by the company to buy its total machinery in Germany—that is, about \$500 million of a total of US\$1.7 million.

For the Ambassador:

Arthur E. Hartman  
Counselor of Embassy for Economic Affairs

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